

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 12 2014

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**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

November 11, 2013

To the Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Educational and Treatment Council, Inc. (a nonprofit organization) as of June 30, 2013, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Council's June 30, 2012 financial statements and in our report dated December 12, 2012 expressed an unqualified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors  
November 11, 2013  
Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

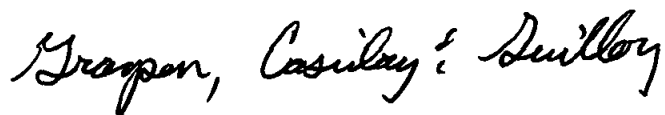
### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic Financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of Educational and Treatment Council, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Educational and Treatment Council, Inc.'s internal control over financial reporting and compliance.



EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2013

With Comparative Totals as of June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 590,408	\$ 189	\$ 590,597	\$ 894,934
Accounts receivable	362,044	-	362,044	310,964
Prepaid expenses	19,729	-	19,729	17,268
Total current assets	<u>972,181</u>	<u>189</u>	<u>972,370</u>	<u>1,223,166</u>
<b>Fixed Assets at cost, net of accumulated depreciation of \$1,089,521</b>				
	<u>601,328</u>	<u>-</u>	<u>601,328</u>	<u>674,230</u>
	<u>601,328</u>	<u>-</u>	<u>601,328</u>	<u>674,230</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,573,509</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ 1,573,698</u></u>	<u><u>\$ 1,897,396</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 39,098	\$ -	\$ 39,098	\$ 54,571
Accrued salary and payroll taxes	85,273	-	85,273	84,878
Deferred income	-	-	-	327,805
Total current liabilities	<u>124,371</u>	<u>-</u>	<u>124,371</u>	<u>467,254</u>
<b>Net Assets</b>				
Unrestricted	1,449,138	-	1,449,138	1,429,953
Temporarily restricted	-	189	189	189
	<u>1,449,138</u>	<u>189</u>	<u>1,449,327</u>	<u>1,430,142</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,573,509</u></u>	<u><u>\$ 189</u></u>	<u><u>\$ 1,573,698</u></u>	<u><u>\$ 1,897,396</u></u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	Unrestricted	Temporarily restricted	2013 Total	2012 Total
<b>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</b>				
Contributions	\$ 43,732	\$ -	\$ 43,732	\$ 76,387
In-kind contributions	36,533	-	36,533	42,650
Grants and contracts	1,611,291	-	1,611,291	1,833,329
Service taxes	655,611	-	655,611	644,495
Interest	1,613	-	1,613	34,146
Miscellaneous	8,410	-	8,410	20,806
Net assets released from restrictions:				
Expiration of time restrictions	-	-	-	-
Total public support, revenues and reclassifications	<u>2,357,190</u>	<u>-</u>	<u>2,357,190</u>	<u>2,651,813</u>
<b>EXPENSES</b>				
Residential Services	1,245,666	-	1,245,666	1,264,091
Community Program Services	<u>1,092,339</u>	<u>-</u>	<u>1,092,339</u>	<u>1,304,707</u>
Total expenses	<u>2,338,005</u>	<u>-</u>	<u>2,338,005</u>	<u>2,568,798</u>
<b>CHANGES IN NET ASSETS</b>	19,185	-	19,185	83,015
<b>NET ASSETS, BEGINNING</b>	<u>1,429,953</u>	<u>189</u>	<u>1,430,142</u>	<u>1,347,127</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 1,449,138</u>	<u>\$ 189</u>	<u>\$ 1,449,327</u>	<u>\$ 1,430,142</u>

See accompanying notes.

## EDUCATIONAL AND TREATMENT COUNCIL, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	Residential Services	Community Program Services	2013 Total	2012 Total
Salaries	\$ 772,754	\$ 679,396	\$ 1,452,150	\$ 1,625,288
Payroll taxes	62,117	52,660	114,777	129,153
Employee benefits	66,279	61,634	127,913	111,258
Total salaries and benefits	901,150	793,690	1,694,840	1,865,699
Advertising	803	529	1,332	1,239
Client activities	12,862	3,632	16,494	14,210
Contractual services	9,020	39,178	48,198	59,420
Community care activities	-	24,517	24,517	19,615
Computer services	2,076	3,574	5,650	7,986
Donated services	3,731	8,406	12,137	13,195
Donated supplies	7,593	16,802	24,395	29,454
Dues/subscriptions	1,941	1,941	3,882	2,676
Food	39,683	-	39,683	43,506
Fund-raising	12,101	8,934	21,035	10,002
Household supplies	-	-	-	4,693
Insurance-workmen's compensation	10,839	9,372	20,211	25,368
Insurance-liability	17,182	38,105	55,287	46,782
Janitorial services	16,516	7,458	23,974	22,112
Licenses	653	600	1,253	1,251
Medical services	130	-	130	1,301
Miscellaneous	935	(351)	584	1,538
Motor vehicle	14,695	17,014	31,709	33,232
Office supplies	12,003	11,012	23,015	19,978
Personal client needs/clothing	5,102	-	5,102	6,182
Professional services	4,335	3,570	7,905	8,080
Recreational	13,008	6,991	19,999	19,969
Rent	36,501	117	36,618	35,440
Repairs and maintenance - building and grounds	10,689	2,253	12,942	19,882

See accompanying notes.

Continued

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	Residential Services	Community Program Services	2013 Total	2012 Total
Repairs and maintenance - equipment	\$ 7,172	\$ 4,776	\$ 11,948	\$ 14,522
Respite activities	-	-	-	22,479
Security	2,777	185	2,962	2,891
Service charges	982	421	1,403	3,004
Supplies - kitchen and camp	2,953	816	3,769	7,615
Communications	10,878	16,582	27,460	32,775
Therapeutic supplies	2,617	2,105	4,722	1,888
Travel and training	16,324	27,479	43,803	56,236
Utilities	25,746	6,306	32,052	33,260
Total expenses before depreciation	1,202,997	1,056,014	2,259,011	2,487,480
Depreciation of buildings and equipment	42,669	36,325	78,994	81,318
Total expenses	<u>\$ 1,245,666</u>	<u>\$ 1,092,339</u>	<u>\$ 2,338,005</u>	<u>\$ 2,568,798</u>

See accompanying notes.



EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2013

With Comparative Totals for the Year Ended June 30, 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,185	\$ 83,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,994	81,318
(Increase) decrease in accounts receivable	(51,080)	(41,697)
(Increase) decrease in prepaid expenses	(2,461)	(4,184)
Increase (decrease) in accounts payable	(15,473)	47,519
Increase (decrease) in accrued expenses	395	2,093
Increase (decrease) in deferred income	(327,805)	11,115
Net cash from operating activities	<u>(298,245)</u>	<u>179,179</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(6,092)	(7,120)
Purchase of investments	-	-
Proceeds from sale of investments	-	408,605
Net cash from investing activities	<u>(6,092)</u>	<u>401,485</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on debt	-	(500,000)
 Net increase (decrease) in cash and cash equivalents	(304,337)	80,664
Cash and cash equivalents, beginning	<u>894,934</u>	<u>814,270</u>
Cash and cash equivalents, ending	<u>\$ 590,597</u>	<u>\$ 894,934</u>
 Supplemental disclosures:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Educational and Treatment Council, Inc. (ETC) is a nonprofit corporation organized in 1974 under the laws of the State of Louisiana. The mission of ETC is to provide services and programs that ensure youth safety, enhance life functioning, and re-connect youth and families with the community. Educational and Treatment Council, Inc. provides prevention and intervention services that address issues affecting at-risk youth and their families. All services are available at no cost to clients. The primary service area of Educational and Treatment Council, Inc. is the five parishes of Southwest Louisiana.

Harbour House, a program of Educational and Treatment Council, Inc., is an emergency shelter for children and youth ages 9-17 years old. At the end of FY 11-12, the facility was in the process of reducing the number of beds from 20 to 16 due to requirements associated with the implementation of managed care by the State of Louisiana. The shelter serves abused and neglected children, foster children, runaway and homeless youth, status offenders, and other youth in need of a safe place to stay. Harbour House also provides brief respite for children of families in crisis to ensure safety and reduce stress. In addition to short-term residential care, other services provided include education, counseling, assessment, and referral. Established in 1985, Harbour House is licensed by the State of Louisiana as a Child Residential Facility. The average length of stay for residents is 14 days.

The transitional living program (TLP), also known as La Maison de Grace, is another residential service of ETC. The Transitional Living Program provides supervised apartment housing for youth ages 16-21 who are aging out of the juvenile justice and foster care systems. Services focus on vocational training, job attainment, educational advancement and money management.

Community-based services of Educational and Treatment Council, Inc. include in-home crisis counseling, child abuse prevention and intervention, home visitation, case management, Functional Family Therapy, and outpatient substance abuse treatment for juveniles.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Public Support and Revenues

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Included in contributions revenue and program expenses is the estimated value of donated materials and equipment of \$24,396 and donated services of \$12,137. Donated goods and services were used to enhance program activities and operations. However, a substantial number of volunteers have donated significant amounts of time to the Council's programs services and its fundraising activities which have not been reflected in the financial statements inasmuch no objective basis is available to measure the value of such services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2013 of \$362,044 represents receivables from federal and state grants.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash

Cash includes amounts in demand deposits. The Council's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2013, the carrying amount was \$590,597 and the bank balance was \$607,140. Of the bank balance, \$535,133 (at June 30, 2013) was covered by federal depository insurance and the remainder of \$72,007 was uncollateralized.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Council has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Council considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

Educational and Treatment Council, Inc. is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Educational and Treatment Council, Inc. has been determined by the Internal Revenue Service not to be a "private" foundation within the meaning of Section 170(b)(1)(A)(vi) of the Code.

Tax years 2010 through 2012 remain subject to examination by the IRS.

Advertising Costs

The Council expenses advertising costs as incurred. Expenses incurred were \$1,332 for 2013.

Subsequent Events

Management has evaluated subsequent events through November 11, 2013, the date the financial statements were available to be issued.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2013:

	Beginning Balance	Net Change	Ending Balance
Land	\$ 25,000	\$ -	\$ 25,000
Buildings	1,233,384	-	1,233,384
Improvements	9,760	-	9,760
Transportation equipment	173,872	(12,318)	161,554
Equipment, furniture and fixtures	255,059	6,092	261,151
	1,697,075	(6,225)	1,690,849
Less: Accumulated Depreciation	1,022,845	66,676	1,089,521
Total	<u>\$ 674,230</u>	<u>\$ (60,451)</u>	<u>\$ 601,328</u>

Property and equipment is stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings	30
Equipment, furniture and fixtures	5-10
Transportation equipment	5
Leasehold improvements	15

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 are available for the following purposes or periods:

Runaway Youth Act Program	<u>\$ 189</u>
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NOTE D – CONTINGENCIES

The Council receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E – SICK AND VACATION PAY

The first six months of employment are considered a new hire introductory period. Any days missed during this period are treated as non-compensatory leave. Sick leave begins to be accrued from the date of employment, but may not be used prior to the completion of six months continuous service and satisfactory completion of the introductory period. Sick leave for regular full-time employees is accumulated at the rate of eight hours per month of service. Part time employees who regularly work at least 20 hours per week accrue sick leave on a pro-rated basis based on the number of their regularly scheduled hours per day. Termination of service with the Council during this period results in forfeiture of all accrued sick leave.

After the introductory period, full time employees can begin utilizing sick leave, which is accrued at the rate of one day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 30 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

Accrual of annual leave begins at the time the full or part time employee successfully completes the required introductory period. Full time employees begin accruing annual leave at the rate of eight hours per month up to 96 hours of annual leave each year of employment. After three years of service, the annual leave increases by eight hours for each additional year of service up to a maximum of 160 hours per year. Part-time employees who regularly work at least 20 hours per week accrued annual leave hours on a pro-rated basis. Unless additional carry over leave is approved by the Board, an employee may not carry over a maximum of 32 hours of annual leave time from one fiscal year to the next. Any carried over leave time must be used by the end of the second quarter of the next fiscal year (December 31) or it is lost. Upon termination of employment, regular employees will be paid for any accrued, but unused, annual leave. The dollar value of accrued leave at June 30, 2013 amounted to \$21,236.

NOTE F – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council estimates of the relative proportion of various staff members' time and effort between programs and administrative functions.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G – OPERATING LEASE COMMITMENT

The Council leases six apartment units for its transitional living program under operating leases expiring at various times during the year. Total lease expense for the year was \$36,408.

NOTE H – JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Probation and Services Tax. The Juvenile Services tax was approved by voters for 2.4 mills. The Calcasieu Parish Policy Jury shall pay as soon as ad valorem taxes are received by the Calcasieu Parish Policy Jury a sum equal to the stated contract amount. For and in consideration of the payment of the foregoing lease sums, Educational and Treatment Council, Inc. shall provide juvenile services without further cost to the Court or the Calcasieu Parish Police Jury for emergency shelter to children as described in the purpose above.

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Disbursements/ Expenses</u>
U.S. Department of Health and Human Services Pass-through from State of Louisiana Department of Social Services Title IV-B Part 2	93.556	-	\$ 260,248
<u>Other Federal Awards</u>			
U.S. Department of Health and Human Services Basic center program for Runaway Youth	93.623	-	149,315
Pass-through from State of Louisiana Department of Health and Hospitals Office of Mental Health	93.958	-	229,174
U.S. Department of Housing and Urban Development Pass-through from State of Louisiana Department of Social Services Emergency Shelter Grants	14.231	-	20,000
U.S. Department of Agriculture Pass-through from State of Louisiana Department of Education School Lunch Program	10.555	-	13,715
U.S. Department of Justice Pass-Through from Calcasieu Parish Police Jury Crime Victims Assistance	16.575	-	<u>21,899</u>
Total Federal Awards			<u>\$ 694,351</u>

Continued



EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-CONTINUED

Year Ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Educational and Treatment Council, Inc. and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Educational and Treatment Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Educational and Treatment Council, Inc.



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

November 11, 2013

To the Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government auditing standards issued by the Comptroller General of the United States, the financial statements of the Educational and Treatment Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Education and Treatment Council, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Education and Treatment Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Educational and Treatment Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Educational and Treatment Council, Inc.'s Response to Findings**

The Educational and Treatment Council, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Educational and Treatment Council, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gragson, Casiday & Guillory*



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.

JULIA W. PORTUS, C.P.A.  
KATHRYN BLESSINGTON, C.P.A.  
JACKLYN BRANOFF, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

November 11, 2013

Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Educational and Treatment Council, Inc.'s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Educational and Treatment Council, Inc.'s major federal programs for the year ended June 30, 2013. Educational and Treatment Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Educational and Treatment Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educational and Treatment Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Educational and Treatment Council, Inc.'s compliance.



### **Opinion on Each Major Federal Program**

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Educational and Treatment Council, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Educational and Treatment Council, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Gragson, Casiday & Guillory*

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Control deficiencies identified not considered  
to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements  
noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified? ☐ Yes ☒ No

Control deficiencies identified that is not considered  
to be material weakness? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance  
for major programs: unqualified

Any audit findings disclosed that are required to  
be reported in accordance with Circular A-133,  
Section .510(a)? ☐ Yes ☒ No

Identification of major programs:

CFDA Number  
93.556

Name of Federal Program or Cluster  
Title IV-B Part 2

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Continued

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2013

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

2013-01: Segregation of Duties

Condition:	Because of the Council's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
Action Taken/Response:	Management concurs with this recommendation and has implemented supervision and review procedures to the extent possible.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – PRIOR YEAR FINDINGS

2012 – 01: Segregation of Duties

Condition:	Proper segregation of duties for effective internal controls is not in place.
Status:	Repeat finding in 2013.